

# **Corre Partners Management, LLC**

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New York, NY 10017

## **FORM ADV PART 2A (the “Brochure”)**

**December 31, 2019**

This brochure provides information about the qualifications and business practices of Corre Partners Management, LLC. If you have any questions about the contents of this brochure, please visit our website at [www.correpartners.com](http://www.correpartners.com) or contact us at [compliance@correpartners.com](mailto:compliance@correpartners.com) or (646) 863-7190.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC does not imply a particular level of skill or training in the investment advisory business.

Additional information about Corre Partners Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES**

This version of Form ADV Part 2A issued by Corre Partners Management, LLC (“Corre”, the “Investment Manager”, the “Firm”, “we”, “us”, “our”) is the first amendment made since Corre’s Other-Than-Annual submitted on April 25, 2019.

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#### **Item 4 - ADVISORY BUSINESS**

Corre Partners Management, LLC is a Delaware limited liability company that was formed in March 2009. Corre is principally owned by Eric Soderlund and John Barrett.

Corre provides discretionary investment advisory services to the following private investment funds (each a “Fund”, and combined, the “Funds”).

- (i) Corre Horizon Fund, LP, a Cayman Islands-domiciled 3(c)(7) master fund, which in combination with the following fund comprises the “Horizon Fund”: Corre Horizon Offshore Fund, LP,
- (ii) Corre Opportunities Qualified Master Fund, LP, a Cayman Islands-domiciled 3(c)(7) master fund, which in combination with the following funds comprise the “Qualified Master Fund”: Corre Opportunities Fund, LP, Corre Opportunities Qualified Onshore Fund, LP, Corre Opportunities Offshore Fund, Ltd. and Corre Opportunities II Fund, Ltd.

Investment advice is provided directly to the Funds according to each Fund’s investment objectives. In addition to the Funds, Corre provides advisory services to pooled investment vehicles for certain large, institutional clients with respect to individual investment opportunities in accordance with the client’s guidelines.

Corre may provide advisory services to other entities or accounts in the future.

Corre does not participate in wrap fee programs.

As of December 31, 2019, Corre had approximately \$967.6 million regulatory assets under management, all of which is managed on a discretionary basis.

## **Item 5 - FEES AND COMPENSATION**

Compensation received by Corre, or an affiliate of Corre, is comprised of fees based on a percentage of assets under management (“Management Fees”) and annual performance allocations (“Performance Allocation”).

The Funds pay Corre the Management Fees, calculated and paid in advance of each month equal to (i) 0.167% of net worth (i.e. 2% per annum) for the Qualified Master Fund, and (ii) 0.146% of net worth excluding uncalled capital (i.e. 1.75% per annum) for the Horizon Fund. In addition, the Qualified Master Fund pays Corre Partners Advisors, LLC (the “General Partner”) the Performance Allocation, if any, at year-end or upon a withdrawal or redemption, equal to 20% of the increase in net worth in a given year or year-to-date period, subject to a loss-carry-forward and an annualized 6.75% hurdle rate. The Horizon Fund pays the General Partner 20% of aggregate distributions after having distributed total capital contributions plus 7.5% annualized preferred return to Limited Partners. See the relevant Fund’s Private Placement Memorandum (“PPM”), which should be reviewed in conjunction with other governing documents of such Fund before an investment is made. Corre or the General Partner may reduce or waive a portion of the Management Fees or Performance Allocation.

In addition, the Funds are responsible for (among other relevant fund expenses as described in each Fund’s PPM): organizational expenses, commissions and other brokerage expenses, custodial fees, third-party research expenses, travel expenses related to research, interest and borrowing charges on margin accounts and other indebtedness, bank expenses, consulting fees, expenses relating to risk reporting services and trade management systems, other expenses directly or indirectly related to the investment program, administrative expenses, legal expenses, compliance and regulatory expenses, audit and tax preparation expenses and taxes. See also Item 12 - Brokerage Practices.

Investors may also be charged a redemption fee of 5% of the amount redeemed if the redemption is not made at least one year from the date of purchase. Such redemption fee is payable to the Fund.

## **Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As disclosed in Item 5, Corre charges an annual Performance Allocation at year-end or upon a withdrawal or redemption equal to 20% of the increase in net worth of the Funds subject to a loss-carry-forward and an annualized 6.75% hurdle rate with a full catch-up. A performance allocation arrangement may incentivize an investment manager to make investments that are riskier or more speculative than would be the case in the absence of a performance allocation. Furthermore, the Performance Allocation may be based significantly on unrealized or realized gains. In addition, the Funds managed by Corre may have differing fee arrangements among them, creating an incentive to favor Funds which pay greater fees over Funds which pay lesser fees. Corre has adopted allocation policies in order to ensure its clients are treated fairly and equally and that conflicts of interest do not influence the procedures of allocating opportunities among Corre's clients.

## **Item 7 - TYPES OF CLIENTS**

As noted in Item 4, Corre provides investment advisory services directly to the Funds. Corre additionally provides advisory services to pooled investment vehicles for certain large, institutional clients. Generally, investors in the Funds must make a minimum investment of \$1,000,000 in the Qualified Master Fund, and \$5,000,000 in the Horizon Fund, subject to waiver at the discretion of Corre or the General Partner. The investors in the Funds may include some or all of the following: high net worth individuals, corporations, endowments, foundations, funds of funds and other businesses. Generally, an investor in the Funds is required to be an “accredited investor” as defined under the Securities Act of 1933, and a “qualified purchaser” as defined under the Investment Company Act of 1940.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Investment Objective**

The Corre Funds are deep value, event driven funds that aim to achieve equity-like returns while taking less risk by investing across the capital structure. By focusing on middle market companies undergoing a turnaround, Corre seeks to build positions at substantial discounts to intrinsic value. Across an opportunity set that includes turnaround and distressed situations, Corre employs a fundamentally driven approach to select the security with the best risk-adjusted return. In addition, the Fund has a dedicated focus on trade claims and liquidations. No assurance, however, can be given that Corre's investment objective will be achieved, and investment results may vary substantially on a monthly, quarterly, annual and/or other periodic basis.

### **Investment Program**

Corre invests primarily in the secondary market for both public offerings and private placements in debt securities, equity securities, trade claims and other financial instruments which at any time may include, without limitation, the securities of companies that are involved in debt restructurings, bankruptcy or other reorganization and liquidation proceedings, high-yield securities, whole loans, both secured and unsecured, various types of structured finance vehicles, corporate bonds, credit default swaps, individual trust preferred securities and other preferred and convertible preferred securities, U.S. government securities, municipal and foreign government obligations, options and warrants. Corre may utilize other strategies or financial instruments as deemed appropriate and provided for in the Funds' PPM.

### **Methods of Analysis**

Corre, on behalf of the Funds, will employ credit due diligence, with the use of both proprietary and third party analytical tools. The analytical process will concentrate on credit research, including capital structure priority and covenant protection. Generally, when investing in below investment grade debt, we will seek to identify issuers and sectors that we believe are likely to experience stable or improving conditions. Conversely, when making short investments, we will seek issuers and sectors that we believe are likely to experience deteriorating conditions and pose significant risk. Specific factors considered in the research process may include general industry trends, cash flow generation capacity, asset valuation, franchise value, other debt maturities, capital availability, collateral value, priority of payments, performance history, delinquency and default trends, geographic location, credit scores, lien positions, loan purpose, seasoning, servicing, loss severity, loan-to-value percentages, and expected cash flows. We intend on managing the Qualified Master Fund's portfolio with an eye towards responsible diversification. To that end, we generally intend to limit the Qualified Master Fund's overall gross exposure to a single issuer to no more than 25% of the portfolio's net worth and the portfolio's overall net exposure to a single issuer to no more than 15% of the portfolio's net worth, in each case, measured at cost at the time such position is established. Notwithstanding the foregoing, we may acquire a position in such securities or other financial instruments in excess of such guidelines in circumstances in which we, in our sole and absolute discretion, deem it appropriate to do so. The



Horizon Fund is managed as a concentrated, long-biased portfolio which does not employ the aforementioned limits.

Corre's investment program entails substantial risk. Investment techniques that Corre may employ from time to time can, in certain circumstances, maximize the adverse impact of adverse market conditions or events to which the Funds' portfolios may be subject. A summary of risk factors associated with Corre's strategy are as follows.

Risk of Loss. Corre's investment program is speculative and involves significant risk. Profitability ultimately depends upon the Investment Manager correctly assessing the future price movements of the securities, commodities and other financial instruments in which the Funds invest, as well as the movement of interest rates. Such price movements may be volatile and are subject to numerous factors which are neither within the control of nor predictable by the Investment Manager. Such factors include, without limitation, a wide range of economic, political, competitive, market, legal, operational and other conditions or events (including, without limitation, natural disasters, acts of terrorism or war) which may affect investments in general or a specific security, commodity or other financial instrument in which the Funds invest. There can be no assurance that the Investment Manager will be successful in accurately predicting price movements. Accordingly, investors may incur substantial losses on their investments in the Funds and it is possible that the Funds' performance will fluctuate substantially from period to period.

Market Volatility. As a general matter, prices of certain of the assets in which Corre invests may exhibit high volatility. Price movements of these assets may be influenced by, among other things, interest rates, credit trends, changing supply and demand relationships, regulatory changes and fiscal and monetary programs and policies of governments. There can be no assurance that the Investment Manager will be successful in accurately predicting price and interest rate movements. Any economic downturn could adversely affect certain of the Funds' investments. Such marketplace events also may restrict Corre's ability to sell or liquidate investments at favorable prices and cause the Funds to have limited access to credit. The Funds may be adversely affected by a decrease in market liquidity. The size of Funds' positions may magnify the effect of a decrease in market liquidity for the instruments traded.

Counterparty Failure. The Funds may be subject to a risk of loss of funds in the event of the insolvency of its U.S. brokers, and may be able to recover only a pro rata share of its assets. The Funds may trade with or hold accounts at foreign broker dealers registered under the laws and regulations of other countries. Such brokers and/or dealers may not be subject to the same or similar customer fund regulations as those existing in the United States. The financial failure of the parties with which the Funds trade in over-the-counter (OTC) markets could also result in substantial losses, as the Funds will deal with such persons as principal and there is no requirement that such parties segregate counterparty funds held by them in respect of such trading. Further, the Funds are subject to additional risks where it is a party to a securities lending arrangement and the counterparty to the arrangement becomes insolvent and/or defaults on its obligations.

Electronic Trading Facilities. In its trading activities, the Funds may be subject to the disruption or failure of the electronic trading facilities as they pertain to the order-routing, execution, matching, registration or clearing of the Funds' trades. A failure may result in a trade order not

being executed according to its instructions or at all. There may be an impaired ability to limit or recover certain losses.

General Credit Risks. The Funds seeks to take advantage of opportunities in the distressed credit arena, thus the Funds may be exposed to losses resulting from default and foreclosure. While assets purchased by the Funds may be collateralized, the Funds may be exposed to losses resulting from default. Therefore, the value of the underlying collateral, the creditworthiness of the borrower(s) or other counterparty and the priority of the lien are each of great importance. The Funds cannot guarantee the adequacy of the protection of its interests, including, without limitation, the validity or enforceability of underlying loan and securities documents and the maintenance of anticipated priority and perfection of applicable security interests. Furthermore, the Funds cannot assure that claims may not be asserted that might interfere with enforcement of rights that are important to the value of a distressed asset. Liquidation proceeds upon sale of distressed assets may not satisfy the entire outstanding balance of principal and interest on a loan or security, resulting in a loss. Any costs or delays involved in the effectuation of the liquidation of the underlying collateral will further reduce the proceeds and thus increase the loss. Distressed credit assets may have large uncertainties or major risk exposures to adverse conditions, and certain of them may be considered to be predominantly speculative. Generally, such credit assets offer a potentially higher return, but involve greater volatility of price and greater risk of loss of income and investment. The market values of certain distressed credit assets also tend to be more sensitive to changes in economic conditions than non-distressed credit assets. Furthermore, if the Funds were to foreclose on those debt obligations and take possession of the related collateral, the Funds' activities with respect to such collateral could result in adverse federal income tax consequences for the Funds. In order to mitigate these adverse tax consequences, the Funds may participate in certain investments through entities treated as corporations for U.S. federal income tax purposes, which entities may be subject to certain taxes.

Event-Driven Investments. The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs or other catalytic changes or similar transactions. Investing in the securities of such companies, as well as certain distressed securities, will be subject to so-called "event risk", i.e., the risk that the transaction in question will simply fail to conclude as contemplated or will be delayed or modified in a manner detrimental to the Funds in the transaction. Numerous factors, including, without limitation, market or industry developments, economic factors, regulatory clearance requirements and management or workforce issues, can cause an announced transaction to be abandoned, delayed or modified. Where a security to be issued in a proposed merger or exchange offer has been sold short by the Funds in the expectation that the short position will be covered by delivery of such security when issued, failure of the merger or exchange offer to be consummated may force the Funds to cover their short position in the market at a higher price than its short sale, resulting in a loss. These losses can be substantial. If a transaction is delayed significantly, the Funds' capital may be committed to the transaction during the period of the delay and interest charges on funds borrowed to finance its investment in connection with the transaction may be incurred. These interest charges may be greater than the profit realized upon the disposition of the securities, in which case the Funds would realize a loss on the transaction.

Investments in Undervalued Securities. The Funds may invest in undervalued securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are

no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed. The Funds may make certain speculative investments in securities which Corre believes to be undervalued, however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' capital would be committed to the securities purchased, thus possibly preventing the Funds from investing in other opportunities.

Small Companies. Small and/or unseasoned companies with smaller market capitalization often involve higher risks because they may lack the management experience, financial resources, product diversification and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. Securities of smaller companies may be subject to wider price fluctuations. When making large sales, Corre may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Non-Performing Nature of Debt. Certain debt instruments purchased by the Corre are non-performing and/or in default. Furthermore, the obligor or relevant guarantor may also be in bankruptcy or liquidation. There can be no assurance as to the amount and timing of payments, if any, with respect to the loans.

Fixed Income Securities. The Funds may invest in bonds or other fixed income securities subject to credit, liquidity and interest rate risks. Higher-yielding debt securities are generally unsecured and may be subordinated to certain other outstanding securities and obligations of the issuer, which may be secured on substantially all of the issuer's assets. The lower rating of debt obligations in the higher-yielding sector reflects a greater probability that adverse changes in the financial condition of the issuer or in general economic conditions or both may impair the ability of the issuer to make payments of principal and interest. Non-investment grade debt securities may not be protected by financial covenants or limitations on additional indebtedness. In addition, evaluating credit risk for debt securities involves uncertainty. Also, the market for credit spreads is often inefficient and illiquid, making it difficult to accurately calculate discounting spreads for valuing financial instruments. It is likely that a major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, it is likely that any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

Distressed/Bankruptcy Investing. Corre may invest in unrated or distressed securities (those experiencing significant financial or business difficulties, including companies involved in debt restructurings, in bankruptcy or other reorganization and liquidation proceedings). Corre may also purchase financial instruments of companies that have low credit quality, and purchase securities and loans that are in default. Among the risks involved in investments in such issuers is the fact that it frequently may be difficult to obtain information as to the conditions of such issuers.

Restructurings or reorganizations may fail to be completed or be substantially delayed and expected returns on their securities may never materialize. In addition, a significant period of time may pass between the time at which the Funds make their investment in distressed securities and the time that any such reorganization is completed. During this period, it is unlikely that the Funds will receive any dividend, interest or other disbursements on the distressed securities; the Funds will be subject to significant uncertainty as to such successful completion and the Funds may be required to bear certain expenses to protect its interest in the course of negotiations surrounding any potential reorganization. Furthermore, nonperforming assets by their nature may prove uncollectible or not yield appreciable returns for considerable periods of time. The level of analytical sophistication, both financial and legal, necessary for successful investment in such assets, loans or claims is unusually high. Information necessary to properly evaluate a distress situation may be difficult to obtain or be unavailable and the risks attendant to a transaction may not necessarily be identifiable or susceptible of considered analysis at the time of investment. There is no assurance that Corre will correctly evaluate the nature and magnitude of the various factors that could affect the prospects for a successful reorganization or rehabilitation of a distressed asset or adequate realization upon such assets and claims. Corre's performance may be substantially impaired by unsuccessful distressed or low credit investments.

Trade Claims. Corre will also purchase trade or other claims against credit impaired companies, which generally represent money owed by the company to a supplier of goods and services. Loans or claims purchased by Corre may not have any maturity and may be secured or unsecured. As with other types of debt instruments, loans and trade claims involve the risk of loss in case of default or insolvency of the borrower, particularly if the borrowing is unsecured. In addition, trade claims may be subject to other defenses such as warranty claims or failure to provide the product or services. Such loans are also less liquid than are the debt instruments of publicly traded companies.

Sovereign Debt. Corre may invest in debt securities issued by governments and their agencies, including governments of emerging markets. Investing in instruments of government issuers in emerging markets may involve significant economic and political risks.

Beneficial Interest Arrangements. Beneficial Interest Arrangements, including loan participations, involve certain risks in addition to those associated with direct investments. Holders of beneficial interest generally have no contractual relationship with the issuer, and are dependent upon the record holder of the financial instrument or other interest to enforce its rights and obligations under the documents relating thereto in the event of a default or other breach and may not have the right to object to amendments or other modifications of the terms of any such documents.

Bank Loans. Corre's investment program may include investments in bank loans and participations. These positions may be illiquid and difficult to value. In addition, Corre may come into possession of material non-public information relating to the borrower, preventing Corre from trading in any securities of such issuer. These obligations are subject to unique risks, including, without limitation: (i) the possible invalidation of an investment transaction as a fraudulent conveyance under relevant creditors' rights laws; (ii) so-called lender-liability claims by the issuer of the obligations; (iii) environmental liabilities that may arise with respect to collateral securing the obligations; and (iv) limitations on the ability of the Funds to directly enforce its rights with respect to participations. Bank loans are privately negotiated transactions, each of which has

individualized terms. Analyzing these transactions requires in-depth review of the relevant documents as well as in-depth analysis of the often precarious financial condition of the borrower. In analyzing each bank loan or participation, Corre compares the relative significance of the risks against the expected benefits of the investment. Successful claims by third parties arising from these and other risks will be borne by the applicable Funds.

Loan Origination. The Funds may participate in the origination of loans. From time to time, the Funds may offer to other funds or accounts managed by Corre, its affiliates and/or other investment managers, participations in and/or assignments or sales of loans (or interests therein) that the Funds have originated or purchased. Additionally, the Funds may offer such participations in and/or assignments or sales of loans (or interests therein) to other accounts managed by Corre, its respective affiliates or to non-affiliated entities. In determining the target amount to allocate to a particular loan origination, the Funds will take into consideration the fact that they anticipate selling, assigning or offering participations in such investment to third parties as described above. If the Funds are not successful in offering such participations, assignments or sales to third parties, they will be forced to hold such excess until such time as it can be disposed. This may result in the Funds being “overweighted” with respect to a particular borrower.

Leverage. Corre retains the right to utilize leverage, and may do so through direct borrowing, short selling, options and other instruments (including, without limitation, derivatives) and arrangements with embedded leverage. Strategies, techniques and instruments that employ leverage increase the risk of loss. A relatively small price movement in a security or other financial instrument may result in immediate and substantial losses to the Fund, including, without limitation, losses in excess of the amount invested. In addition, certain securities, commodities and other financial instruments which the Fund acquires may incorporate a certain, and sometimes high, degree of embedded leverage. Accordingly, even if not leveraged in the sense of being acquired with borrowings, the Fund may have highly leveraged exposure to certain securities, commodities and other financial instruments it acquires.

Equity Securities. The Funds will invest in equities and equity derivatives. The value of these instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, the Funds may suffer losses if they invest in equity instruments of issuers whose performance diverges from Corre’s expectations or if equity markets generally move in a single direction and the Funds have not hedged against such a general move. In their equity derivatives, the Funds are exposed to risks that issuers will not fulfill their contractual obligations to the Funds, such as, for example, delivering marketable common stock upon conversions of convertible securities and registering restricted securities for public resale.

Private Placements. The Funds’ assets may be invested in privately placed securities of publicly traded or private companies. Investments in privately placed securities of private companies will generally be valued at cost unless there has been a significant decrease in the value of the investment, in which case it may be marked below cost. Corre, in its sole discretion, may alternatively determine to value such investments at fair market value (without regard to whether it is lower than cost). Because of overall size or concentration in particular markets of positions held by the Funds, the value at which its investments can be liquidated may differ. In addition, the timing of liquidations may also affect the values obtained on liquidation. Third party pricing information may not be available for certain positions held by the Funds. In light of the foregoing,

there is a risk that an investor who redeems all or part of his investment while the Funds hold such private or thinly traded investments will be paid an amount less than he would otherwise be paid if the actual value of such investments is higher than the value designated by the Funds. Similarly, there is a risk that such investor might, in effect, be overpaid if the actual value of the private or thinly traded investment is lower than the value designated by the Funds. In addition, there is a risk that an investment in the Funds by a new investor could dilute the value of such private or thinly traded investments. Corre is entitled to rely, without independent investigation, upon pricing information and valuations furnished by third parties, including pricing services.

Preferred and Hybrid Securities. The Funds may invest in preferred stock and hybrid securities, which may have special risks. Preferred and hybrid securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. If a preferred or hybrid security is deferring its distributions, the Funds may be required to report income for tax purposes even though they have not yet received such income. Some preferred and hybrid securities are non-cumulative, meaning that the dividends do not accumulate and need not ever be paid. A portion of the Funds' portfolios may include investments in non-cumulative preferred or hybrid securities, under which the issuer does not have an obligation to make up any arrears to its shareholders. Should an issuer of non-cumulative preferred or hybrid securities held by the Funds determine not to pay dividends on such a security, the amount of dividends the Funds receive may be adversely affected.

Convertible Securities. The Funds may invest in convertible securities. Convertible fixed income securities generally offer lower interest or dividend yields than non-convertible securities of similar quality. As with all fixed income securities, the market values of convertible securities tend to decline as interest rates increase and, conversely, to increase as interest rates decline. However, when the market price of the common stock underlying a convertible security exceeds the conversion price, the convertible security tends to reflect the market price of the underlying common stock. As the market price of the underlying common stock declines, the convertible security tends to trade increasingly on a yield basis and thus may not decline in price to the same extent as the underlying common stock. Convertible securities rank senior to common stocks in an issuer's capital structure and consequently entail less risk than the issuer's common stock. The Funds may invest in convertible securities of any maturity and will determine whether to hold, sell or convert any security in which it has invested, depending upon Corre's outlook for the market value for such security, the security into which it converts and/or other factors.

High Yield Securities. The Funds may invest in "high yield" bonds and preferred securities which are rated in the lower rating categories by the various credit rating agencies (or in comparable non-rated securities). Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominately speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally considered to be subject to greater risk than securities with higher ratings in the case of deterioration of general economic conditions. Because investors generally perceive that there are greater risks associated with the lower-rated securities, the yields and prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for lower-rated securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which these securities can be sold. In addition, adverse publicity and investor perceptions about

lower-rated securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such lower-rated securities.

Liquidity. The Funds' investments may lack liquidity or be thinly traded. This could present a problem in realizing the prices quoted and in effectively trading the position(s). The Funds may invest in less liquid investments which could result in significant loss in value should the Funds be forced to sell the less liquid investments as a result of rapidly changing market conditions or as a result of margin calls or other factors. In certain circumstances, the Funds may also be contractually prohibited from disposing of investments for a specified period of time. Accordingly, the Funds may be forced to sell its more liquid positions at a disadvantageous time, resulting in a greater percentage of the portfolio consisting of less liquid investments. The disposition of less liquid investments often requires more time and results in higher transaction costs than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Restricted securities may sell at a price lower than similar securities that are not subject to restrictions on resale.

Market Dislocation and Illiquidity. Relatively recent events in the sub-prime mortgage market and other areas of the fixed income markets in the United States have caused significant dislocations, illiquidity and volatility in the structured credit, leveraged loan and high-yield bond markets. These events have had repercussions on the global financial markets, including, without limitation, the markets in which the Funds trade and invest, by restricting the availability of credit generally and reducing liquidity levels across virtually all markets globally. The foregoing events could lead to an overall weakening of the U.S. and global economies. Any resulting economic downturn could adversely affect certain of the Funds' investments. Such marketplace events also may restrict the ability of the Funds to sell or liquidate investments (including, without limitation, equity investments) at favorable times and/or for favorable prices and/or cause the Funds to have limited access to credit. The Funds may be adversely affected by a decrease in market liquidity (e.g., by impairing the Funds' ability to adjust its positions and risk in response to trading losses or other adverse developments). The size of the Funds' positions may magnify the effect of a decrease in market liquidity for the instruments traded. Changes in the overall market leverage (e.g., deleveraging or liquidations by other market participants of the same or similar positions) also may adversely affect the Funds' positions.

Fraud. Of paramount concern in lending is the possibility of material misrepresentation or omission on the part of the borrower. Such inaccuracy or incompleteness may adversely affect the valuation of the collateral underlying the loans or may adversely affect the ability of the Funds to perfect or effectuate a lien on the collateral securing the loan. The Funds will rely upon the accuracy and completeness of representations made by borrowers to the extent reasonable but cannot guarantee such accuracy or completeness. Under certain circumstances, payments to the Funds may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance or a preferential payment.

Concentration of Holdings. At any given time, the Funds' assets may become highly concentrated within a particular company, industry, asset category, trading style or financial or economic market. In such event, the Funds' portfolios will be more susceptible to fluctuations in value resulting from adverse economic conditions affecting the performance of that particular company,

industry, asset category, trading style or financial or economic market, than a less concentrated portfolio would be.

Financial Services and Real Estate Industry Considerations. The Funds may acquire assets that are either direct obligations or collateralized by financial services and real estate-related companies, which may subject the Funds to risks including interest rate risk, credit risk, economic risk, regulatory risk, actuarial risk, catastrophic risk, and financing risk.

Contingent Liabilities. The Funds may incur contingent liabilities in connection with an investment. For example, the Funds may purchase from a lender a revolving credit facility that has not yet been fully drawn. If the borrower subsequently draws down on the facility, the Funds would be obligated to fund the amounts due. The Funds may also enter into agreements pursuant to which they agree to assume responsibility for default risk presented by a third-party, and may, on the other hand, enter into agreements through which third-parties offer default protection to the Funds.

Short Sales. The Funds will sell securities short. Selling securities short risks losing an amount greater than the proceeds received. The supply of securities that can be borrowed fluctuates from time to time. The Funds may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found or if the Funds are otherwise unable to borrow securities which are necessary to cover its positions.

Options. Corre may hold put or call options long or short. Option techniques involve a higher level of risk compared with their underlying securities. The expiration of unexercised long options effectively results in loss of the entire cost, or premium paid for the option. Conversely, the writing of an uncovered put or call option can involve, similar to short selling, a theoretically unlimited risk of an increase in the Fund's cost of selling or purchasing the underlying securities, commodities or other financial instruments in the event of exercise of the option.

Non-U.S. Investments. Non-U.S. securities, including emerging market securities, include such unique risks as unfavorable currency exchange rate developments, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, confiscatory taxation, economic or political instability in foreign nations. In addition, there may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States, and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. In the case of emerging markets, risks include greater volatility, less strict securities market regulation, less favorable tax provisions, a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property. Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a neighboring exchange. Volume and liquidity levels in emerging markets are lower than in developed countries. Corre may be exposed to significant fluctuations between the U.S. Dollar and other currencies, and it cannot guarantee that the Funds' portfolios will not be effected substantially by currency price and interest rate movements. The Funds may suffer significant losses as a result thereof.



Derivative Instruments. Corre may trade swaps, total return swaps and other derivative instruments, whose risks may include market risk, liquidity risk, the risk of non-performance by the counterparty, including, without limitation, risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Futures. Corre may employ futures contracts, or options on such contracts. Futures trading involves relatively small invested capital relative to risk exposure and therefore can increase, perhaps significantly, portfolio volatility and exposure to loss. Commodity futures trading may be less liquid due to, among other things, position limits and price limits imposed by the CFTC and certain exchanges. If prices fluctuate beyond such limits, the Master Fund may be prevented from immediately liquidating unfavorable positions and may be subject to substantial losses. In addition, commodity futures prices are highly volatile, and are influenced by events such as changing supply and demand relationships, government programs and policies and changes in interest rates and other national and international political and economic events.

Forward Contract Markets. Corre may trade forward contracts (and options on forward contracts), which are not traded on exchanges, are individually negotiated, and can be highly illiquid. Forward contract markets are subject to significant disruptions, including through the intervention of governmental authorities. The Funds may experience liquidity or other problems and may incur substantial losses on such investments.

Investments in Cash and Cash Equivalents. The Funds may keep a portion of their assets in cash, cash equivalents or other liquid assets, including currencies, bank deposits, certificates of deposit, bankers acceptances, money market instruments or funds, and/or government securities (both short-term and long-term). Such investments may produce a lower return than other investments contemplated by the Funds and, therefore, may impact the overall performance of the Funds. Investors should not assume that an investment in the Funds is less risky due to the fact that the Funds may, from time to time, hold a significant portion of their assets in cash and cash equivalents.

Inflation Risk. Investing in bonds exposes the Funds to inflation risk since interest rates are generally fixed. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Systemic Risk. World events and/or the activities of one or more large participants in the financial markets and/or other events or activities of others could result in a temporary systemic breakdown in the normal operation of financial markets. Such events could result in the Funds losing substantial value caused predominantly by liquidity and counterparty issues.

General Economic Conditions. The level and volatility of interest rates, credit spreads and equity valuations and the extent and timing of investor participation in the markets for both equities and interest-sensitive instruments may negatively impact the performance of the Funds.

Regulatory Risks. Securities and commodities exchanges generally have the right to suspend or limit trading under certain circumstances, including the right to impose position limits and price limits on persons or groups of persons. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the Funds to loss. Legal, tax and regulatory changes

could occur during the term of the Funds to adverse effect. In addition, the securities and futures markets are subject to comprehensive statutes, regulations and margin requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. Corre's activities may become subject to the fiduciary responsibility provisions of ERISA despite procedures to avoid such provisions. In the absence of compliance with ERISA and the prohibited transaction rules of the Code, Corre could be exposed to litigation, penalties and liabilities which might adversely affect their ability to fully satisfy their contractual obligations to the Funds. The Funds may be named as a defendant in a lawsuit or regulatory action, and as a result the assets of the Funds may be frozen and Corre may be unable to liquidate its investments. In certain cases, the Funds may be called on to testify and/or provide information (including, without limitation, a list of investors) in connection with such lawsuit or regulatory action. The Funds may also be named as a defendant in the lawsuit or regulatory action. Litigation and regulatory actions can be time-consuming and expensive, and can frequently lead to unpredicted delays or losses.

Cybersecurity Breaches and Identity Theft. The information and technology systems of Corre and its key service providers may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Corre has implemented various measures designed to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Corre to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of Corre or the Funds and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information.

Cross Series Liability. While the Horizon Fund has multiple series of interests and certain series only participate in certain Fund investments, the Fund will be treated as one entity. Accordingly, all of the assets of the Fund may be available to meet all of the liabilities of the Fund, regardless of the separate series to which such assets or liabilities are attributable. In practice, cross series liability will usually only arise when any series becomes insolvent or exhausts its assets and is unable to meet all of its liabilities.

Material, Nonpublic Information. From time to time, certain personnel of Corre and/or its affiliates may come into possession of material, nonpublic information that would limit the ability of the Funds to buy and sell investments. The Funds' investment flexibility may be constrained as a consequence of the Investment Manager's inability to take certain actions because of such information. The Funds may experience losses if it is unable to sell an investment that it holds because certain Corre personnel have obtained material, nonpublic information about such investment.

## **Item 9 - DISCIPLINARY INFORMATION**

Corre is required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of its advisory business or the integrity of its management. To the best of Corre's knowledge, there is no legal or disciplinary information to disclose.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither Corre, nor any of Corre's management personnel, are registered or have an application pending to register as a broker-dealer, a registered representative of a broker-dealer, a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Eric Soderlund, one of the principal owners of Corre, serves as one of three Directors on the Board of Corre Opportunities Offshore Fund, Ltd., the offshore feeder fund in the Qualified Master Fund structure.

## **Item 11 - CODE OF ETHICS**

Pursuant to Rule 204A-1 of the Investment Advisors Act of 1940, Corre has established a Code of Ethics which is designed to ensure all employees of Corre are aware of and adhere to the policies and procedures of the Firm, and maintain a general standard of conduct. The Code of Ethics governs such areas as personal trading, privacy of client information, and conflicts of interest, with the singular focus that Corre and its employees must always place the interests of clients first.

Corre and/or its affiliates will generally have a material investment in the Funds, and thus is considered to participate in transactions executed on behalf of its clients.

Corre, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about certain issuers. Corre is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a Fund. Corre maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know and to assure that the Firm is meeting its obligations to its Funds and remains in compliance with applicable law. In certain circumstances, Corre may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but Corre will be prohibited from communicating such information to the Funds or using such information for the Funds' benefit. In such circumstances, Corre will have no responsibility or liability to the Funds for not disclosing such information (or the fact that Corre possesses such information) to the Funds, or for not using such information for the Funds' benefit, as a result of following Corre's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

Corre's employees are permitted to enter into personal securities transactions. Employees are required to obtain preclearance of all securities transactions on individual names; however, no preclearance is required for other investments such as government bonds, money market instruments, mutual funds and broad-based indices. Corre employs a 30-day holding period requirement on all personal trades. In addition, Corre's Code prohibits Corre or its supervised persons and their spouses from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer or his designee. All of Corre's supervised persons are required to disclose their securities transactions. In addition, Corre's supervised persons are required to disclose the holdings in their personal accounts upon commencement of employment with Corre and on an annual basis thereafter.

A copy of Corre's Code of Ethics is available upon request.

## **Item 12 - BROKERAGE PRACTICES**

Corre has full discretionary authority to manage the investment of its clients, including determining which securities to buy and sell, the amount and price of those securities, the broker or dealer to be used for each transaction, and any commissions paid. Corre is not required to solicit competitive bids and does not have an obligation to seek the lowest available commission. The Funds may therefore be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission.

The Funds will maintain an account with one or more prime brokers, through which the Funds may execute trades, borrow securities and maintain custody of its securities. Corre, in its sole discretion, may change its brokerage and custodial arrangements without further notice to investors.

In selecting the appropriate broker or dealer to execute transactions on behalf of its clients, Corre seeks “best execution”, which may involve taking into account such criteria as the price offered by a broker or dealer, the commission rate, size of the order, difficulty of execution, quality of research, financial integrity of the broker or dealer, and reliability and responsiveness.

### **Soft Dollars**

Corre receives economic benefits through the custody and operating relationships it has with brokers that are not typically available to retail investors. These benefits include the following products and services, provided to Corre without cost or at a discount: commentaries on markets, industries and securities, financial and other publications, economic surveys and analyses, research, trading advice, quotation services, and general information relevant to our advisory business that may assist us in making trading decisions. Some of these products and services made available by brokers may benefit Corre, but may not benefit our clients. Such other services made available by brokers are intended to help Corre manage and further develop its advisory business, and such services may or may not depend on the amount of brokerage transactions directed to them. Receipt of such research or other products and services create a benefit for Corre, as we do not have to produce or pay for such research, products or services. Furthermore, this may result in a conflict of interest, and may provide an incentive to choose a broker based on the receipt of such benefits, rather than the clients’ interest in receiving most favorable execution. Such benefits would be employed to service all client accounts in a proportional manner consistent with the Firm’s trade allocation procedures.

Corre does not direct transactions and the commissions they generate to brokerage firms or other parties to receive research or other benefits.

While Corre has not entered into any soft dollar arrangements, we may be deemed to obtain such research and brokerage services described above within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended. In the event soft dollars are deemed employed, Corre will remain committed to ensuring that clients’ interests are the focus of our broker selection procedures. Corre believes that the commissions it pays its brokers are reasonable in relation to the services rendered by such brokers.

## Trade Allocations

Corre will typically allocate trades that are applicable to all its clients in a pro-rata fashion, or in such a way that the resulting positions held by its clients are pro-rata, except that the Horizon Fund may receive a larger allocation given its more concentrated strategy. Corre may allocate particular transactions in a different method at its sole discretion, but at all times in a fair and equitable manner and in the best interests of its clients.

## Trade Errors

Corre's goal is to execute trades seamlessly in the best interests of the Funds it manages. While errors can occur for a variety of reasons, the consequences and the required corrective measures that are appropriate may differ depending upon the nature of the error or the account affected. In correcting a trade error, Corre will strive to identify and correct the errors expeditiously and determine how to prevent a similar error from occurring.

As a matter of policy, trade errors will be borne by the Funds unless the error is the result of a breach of the standard of care set forth in the Funds' PPM, which provides that Corre will only remain liable for trade errors that are the result of fraud, gross negligence or willful misconduct. The Funds shall keep any gains resulting from trade errors.

## Cross Trades

Corre may seek to execute transactions between client accounts when it is in the best interests of each client participating in the transactions to do so, taking into account factors including pricing, consistency with strategy, suitability and allocation.

### **Item 13 - REVIEW OF ACCOUNTS**

Corre's Managing Members, John Barrett and Eric Soderlund, review its clients' accounts on a continual basis, with regards to portfolio and risk management.

Investors in the Funds receive a monthly return estimate, a monthly performance report and a quarterly newsletter.

Annual audited financial statements are issued to the Funds' investors within 120 days of the end of the respective Fund's fiscal year.

In addition, if applicable, tax information is distributed as soon as practicable after the end of the respective Fund's fiscal year.



#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Corre has utilized placement agent services in connection with the Funds it advises. Placement agents are paid a portion of the advisory fees received by Corre from such investors that were introduced to Corre by the placement agents. The fees are paid by Corre, and not the Funds. The percentage of fees vary based on the Funds. Such placement agents are in all cases registered as broker-dealers with the Securities and Exchange Commission (the “SEC”).

Corre does not receive economic benefits from anyone other than its clients for providing advisory services.

**Item 15 - CUSTODY**

Client assets are held in custody by qualified custodians, which are broker-dealers or banks unaffiliated with Corre. Clients receive account statements from such custodians, and clients should carefully review such statements.

**Item 16 - INVESTMENT DISCRETION**

Corre has full discretionary authority over all client accounts as detailed in the advisory contracts entered into with the Fund investors, and as set out in the investment management agreements it has executed with the Funds.

## **Item 17 - VOTING CLIENT SECURITIES**

The SEC requires that registered investment advisers who exercise voting authority over the securities held by its clients implement proxy-voting policies. In general practice, Corre does not intend to vote proxies. In the event that Corre does, however, vote proxies, our policy is to vote all proxies in the best interests of our clients. Prior to voting, the relevant employees of Corre will make a determination, in their opinion, as to what vote is in the best interests of the advisory clients and the Funds as a whole. A written record of proxy votes will be maintained, and Corre's proxy voting policies are available upon request.

**Item 18 - FINANCIAL INFORMATION**

Corre does not solicit the payment of fees six months or more in advance, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding during the past ten years.